LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor

KENNETH C. HOLT
Secretary

ELLINGTON CHURCHILL, JR.
Deputy Secretary

The attached document, the Maryland Department of Housing and Community Development's "Consolidated Plan / Action Plan Substantial Amendment – Neighborhood Stabilization Program 3", was completed and approved prior to the accession of the current state administration under Governor Larry Hogan and Lt. Governor Boyd K. Rutherford.

This document remains in force, and has been unchanged and unedited from its original format.

CONSOLIDATED PLAN/ACTION PLAN SUBSTANTIAL AMENDMENT
NEIGHBORHOOD STABILIZATION PROGRAM 3
STATE OF MARYLAND

MARTIN O'MALLEY	**ANTHONY G. BROWN**	**RAYMOND A. SKINNER**	**CLARENCE J. SNUGGS**
GOVERNOR	***LT. GOVERNOR***	***SECRETARY***	***DEPUTY SECRETARY***

COMMENTS OR QUESTIONS SHOULD BE DIRECTED TO:
HARA WRIGHT-SMITH
410.514.7172 OR WRIGHT-SMITH@MDHOUSING.ORG
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
100 COMMUNITY PLACE
CROWNSVILLE, MD 21032

THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction:
State of Maryland

Jurisdiction Web Address:
www.mdhousing.org

NSP Contact Person:
Ms. Cindy Stone

Address:
Maryland Department of Housing and Community Development
100 Community Place
Crownsville, MD 21032-2023

Telephone: (410) 514 – 7256
Fax: (410) 987-4660
Email: StoneC@mdhousing.org

Website URL For Plan:

http://www.dhcd.state.md.us/Website/About/PublicInfo/Publications/documents/Sub%20Amend%20V4a.pdf

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD) created the Neighborhood Stabilization Program (NSP1) in 2008 in response to the nation's housing foreclosure crisis. The program was approved and funded under the Housing and Economic Recovery Act of 2008. As part of that legislation, Congress appropriated a special allocation in Community Development Block Grant (CDBG) funding to assist neighborhoods impacted by rising foreclosures and falling home values. The Maryland Department of Housing and Community Development was awarded $26.7 million in NSP1 funding. Neighborhood stabilization funds were made available in a second round of funding (NSP2) under the American Recovery and Reinvestment Act of 2009.

Authorized under Section 1497, the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) provided an additional $1 billion of Neighborhood Stabilization Program funding, referred to as NSP3. The State of Maryland received a HUD allocation of $5,000,000 in NSP3 funding to assist in mitigating the negative impact of economic decline and housing market collapse, and to stabilize and revitalize communities/areas hardest hit by abandoned, foreclosed homes, as well as vacancies resulting from the highest rates of homes financed by subprime mortgages.

HUD determined that States and local governments with the greatest need for neighborhood stabilization funding are those communities that have high numbers of foreclosed and/or vacant properties in the neighborhoods with the highest concentrations of foreclosures, delinquent loans, and subprime loans. As such, funds were awarded to 270 states and selected local governments across the nation. NSP3 funds were allocated by formula based on the number of foreclosures and vacancies in the 20 percent of U.S. neighborhoods (census tracts) with the highest rates of homes financed by a subprime mortgage, are delinquent, or in foreclosure. HUD made selections based on areas/communities with the greatest need for neighborhood stabilization.

Recipients of NSP3 funding are required by law to prepare a substantial amendment to their Consolidated Plan (a planning document which sets forth the housing and community development goals and priorities among other purposes) and discuss how and where the NSP3 funds will be used. The State of Maryland's allocation of NSP3 funding will be administered by the Maryland Department of Housing and Community Development (DHCD). Among DHCD's responsibility as the State's housing agency is to prepare the State's Consolidated Plan, operate the regular CDBG program for the State (including NSP1), and write the substantial amendment.

Under the law, State and local governments who receive funding can use the funds for one of five NSP3 eligible uses, provided that the activities are also eligible under the CDBG program and meet a CDBG national objective. The eligible uses are:

- Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan loss reserves, and shared equity loans for low and moderate income homebuyers;
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties;
- Establish and operate land banks for homes and residential properties that have been foreclosed

upon;

- Demolish blighted structures; and

- Redevelop demolished or vacant properties as housing.

NSP funding can provide direct benefit to individuals or households earning less than 120 percent of the area median income, with at least 25 percent of the State's allocation directed to individuals or households earning less than 50 percent of the area median income. The funding cannot be used for foreclosure prevention activities. Additional federal requirements and State policies are addressed in the *Policies and Requirements* section of this amendment.

AREAS OF GREATEST NEED

The State of Maryland must target its NSP3 funds to one or more areas identified as having the greatest need. Unlike NSP1 and NSP2, HUD has determined areas of greatest need for each recipient under NSP3, using a formula and other data to evaluate the intensity of foreclosure need in each census tract. It included, but was not limited to, an analysis of vacant properties, number of foreclosure starts, number of completed foreclosures, decrease in home values, and unemployment information. This information can be found at www.huduser.org/portal/datasets/ nsp.html.

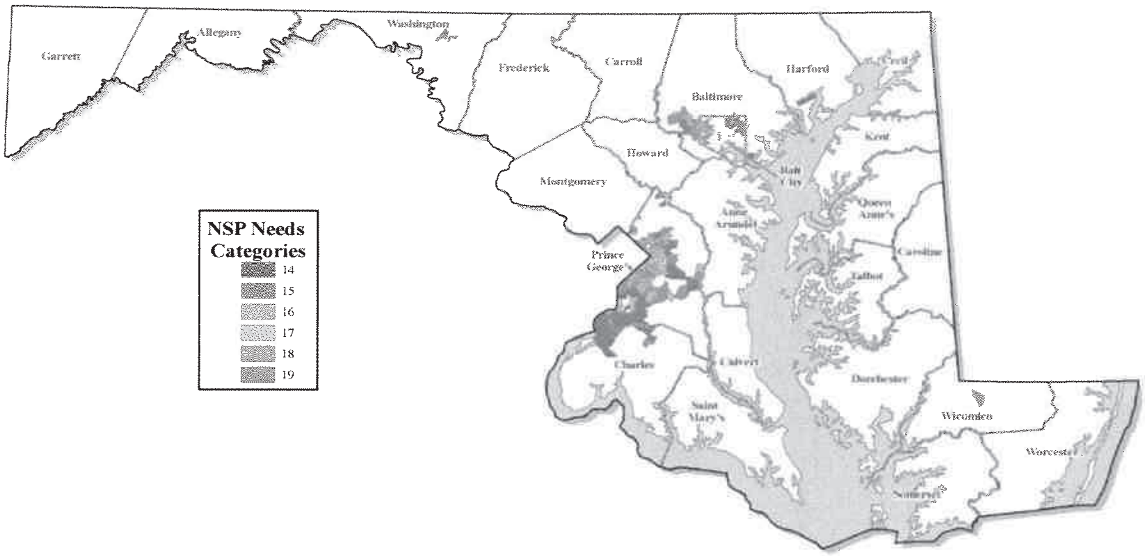
Census tracts with a Foreclosure Need Score of 17 (on a 20 point scale) or the state threshold score which is the 20th percentile of the most needy census tracts in a state are eligible for funding. Grantees are not allowed to use any other data than that provided by HUD to determine areas of greatest need. It is important to note that HUD analyzed each block group within a census tract using their formula. For purposes of this document, each block group is referred to as a "census tract."

The State of Maryland chose to concentrate NSP3 funding in areas that represent the 20th percentile of the most needy census tracts in the state. Those areas identified have a Foreclosure Need Score of 14 or greater on a 20 point scale. There were 884 census tracts with Foreclosure Needs Scores of 14 or greater. The State elected to exclude census tracts in HUD's data that 1) did not contain any housing units; and 2) tracts that had less than 100 housing units and a zero impact number. By employing this methodology, the State geographically identified eligible census tracts located in Baltimore City, Anne Arundel, Baltimore, Charles, Harford, Prince George's, Washington and Wicomico Counties.

Map 1 illustrates eligible census tracts for selected NSP3 activity as determined by HUD in the State of Maryland.

MAP 1

HUD Determined NSP Eligible Areas in Maryland



Source: HUD and DHCD Office of Research

pub. date: 11/16/2010

Note: To view a larger version of Map 1 click: http://www.mdhousing.org/website/images/NSP-3_14nGreater.png

HUD did allow grantees the flexibility of targeting funds to areas that crossed census tract boundaries. A mapping tool was created by HUD that allowed grantees to aggregate the Need Score between a tract that met the Foreclosure Need Score and a tract that did not. To make the most impact in the areas of greatest need, the State of Maryland only used eligible census tracts and did not allow the combining of qualifying and non-qualifying census tracts. (Information on the HUD mapping tool can be found at www.huduser.org/portal/datasets/nsp.html).

In addition to the State of Maryland's $5,000,000 NSP3 allocation, Prince George's County (a HUD entitlement county) received its own allocation of $1,802,242 – the only other jurisdiction in Maryland to receive NSP3 funding. The State will work within entitlement and non-entitlement jurisdictions including Prince George's County to consider targeting funding to areas of greatest need. Information about Prince George's County's NSP3 program, the needs and priorities in their local communities, and the jurisdiction's consolidated plan can be found at www.princegeorgescountymd.gov/dream/.

METHOD OF DISTRIBUTION

Of the $5,000,000 total allocation, the State will retain $500,000 or the allowable 10% of the award for administrative costs. The remaining $4,500,000 will be used for projects and activities selected through a Request for Proposal process. The Request for Proposal (RFP) process was completed on January 31, 2011.

HUD encouraged each grantee to select and carry out its NSP3 activities in the context of a comprehensive plan on how the communities' envision, not only making their neighborhoods more stable, but more sustainable, competitive and integrated into the overall metropolitan fabric. This includes approaches that create access to transit, affordable housing, employers, and services. NSP3 requires grantees to have a thorough understanding of their residential markets and evaluate how selected projects and activities will ensure a measurable impact in their target areas.

The State solicited RFPs through the Neighborhood Conservation Initiative (NCI), a program originally created for NSP1 to assist communities in addressing abandoned and foreclosed homes utilizing strategies to stabilize targeted areas (see NCI goals below). Each RFP submission was expected to meet goals set forth in the NCI (referenced below), creating neighborhood conservation areas using eligible census tracts and develop strategies that align with these goals.

The goals of NCI are:

(1) To increase affordable workforce housing opportunities, both rental and homeownership, in neighborhoods most affected by foreclosure in coordination with local partners.
(2) To maximize revitalization and stabilization impact in target "Conservation" neighborhoods, focusing and coordinating investment of local and State resources.
(3) To complement ongoing foreclosure prevention activities of State and local partners.

Partners eligible to submit RFPs included Baltimore City, county governments, non-profit organizations and housing authorities. The State provided maps, HUD data on eligible census tracts by counties, income limits, HUD guidance and information, NSP regulations, and State policies and procedures.

Eligible partners were instructed to focus on a range of solutions to stabilize target neighborhoods rather than solely on executing NSP3 eligible uses. They were encouraged to select census tracts with higher need scores, provided the proposed projects and activities would result in enough housing supply to produce measurable outcomes for the area. Their target area could be a neighborhood, a block group, or an entire census tract.

The State emphasized and encouraged the use of NSP3 funds for affordable rental development. Eligible partners were encouraged to seek the availability of foreclosed or vacant multi-family buildings as an element in their strategies to revitalize neighborhoods and provide a range of affordable housing choices. It was ultimately their decision to determine if rental development was a key element in their strategy and whether or not it would work in their target areas.

The State received 12 RFPs from governments, non-profits and a housing authority. The State reviewed the proposals and selected strategies that best met both NCI as well as HUD goals and objectives. The State reserved the right to select strategies, but not necessarily approve all the proposed projects that were identified.

The review team evaluated each RFP considering the following factors:

- Eligibility of Activities: Were proposed projects and activities eligible under NSP3?

- Eligibility of Area: Was the proposed target area(s) within an identified census tract?

- Market Knowledge: Does the strategy demonstrate a thorough understanding of the market and what steps are necessary to improve it?

- Solutions: How would the proposed strategy, projects and activities stabilize or revitalize the target areas and the market? Does the strategy contain both short term and long term goals?

- Impact: Do the proposed projects and activities result in impacting the required number of housing units that HUD has mandated for that census tract(s)? OR does the strategy otherwise provide for other measurable impact in areas with vacancy issues rather than foreclosure problems? In this case, using the HUD data, does the strategy provide enough information to support the problems and issues you propose to address? Are the planned outcomes significant enough to stabilize neighborhood conditions?

- Community Input: Did the partner(s) solicit input from residents and/or other organizations within the target area(s)? Did it include participation from private sector businesses? Did the strategy align with a pre-existing community-based plan?

- Administrative Plan: Did the strategy include a sufficient administrative plan to implement and complete projects and activities? Did the organizations and staff have experience in developing and administering these types of projects and activities?

- Impact of NCI Strategy: Did the investment strategy result in a significant increase in affordable housing, rental and/or homeownership, and the stabilization of the target area?

- Leverage: Was a significant leverage of additional funding and financing achieved? Was the leverage a mix of both public and private sources?

- Schedule: Did the schedule seem reasonable and manageable?

- Did the strategy incorporate green rehabilitation and building practices and sustainable development practices?

- Did the strategy include sufficient projects and activities that benefit persons at or below 50% of the AMI?

- If more than one proposal was submitted for the same target area(s), did the proposed projects and activities overlap or compliment each other?

SELECTION

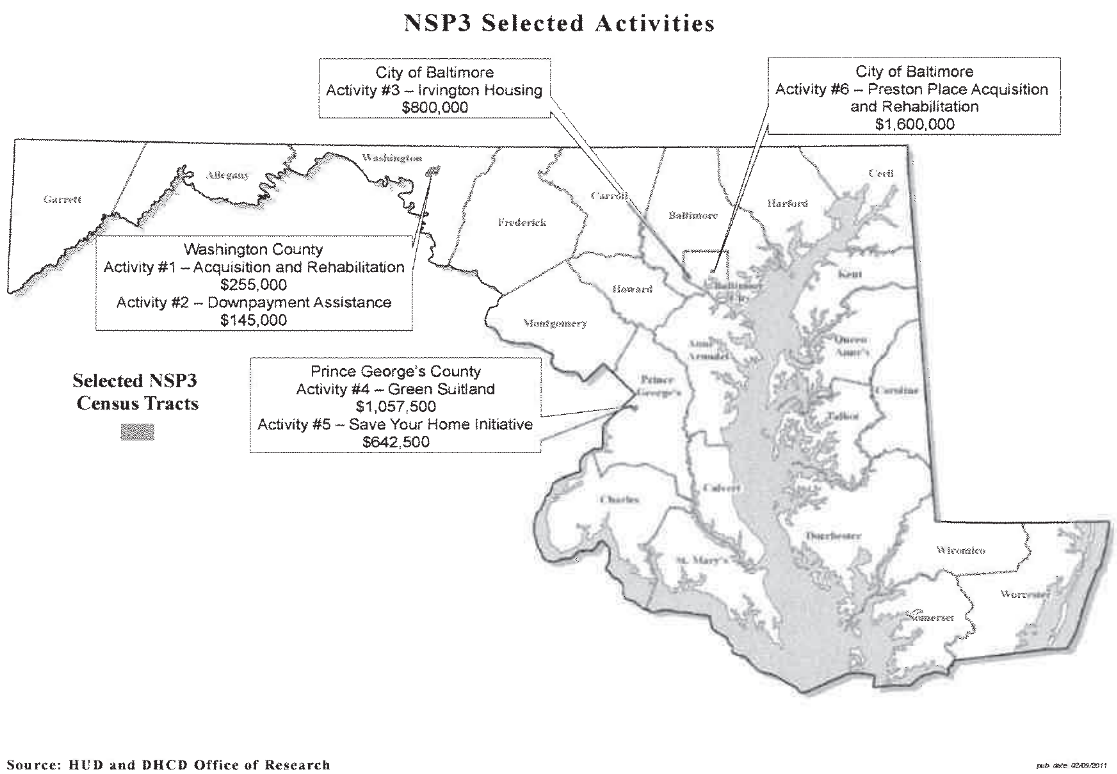
The Secretary of DHCD approved the following partners and corresponding number of activities as noted in Table 1:

TABLE 1

Partner	Amount	Number of Census Tracts	Number of Activities
Prince George's County	$1,700,000	3	2
East Baltimore Development Inc. (Baltimore City)	$1,600,000	3	1
Enterprise Housing Corporation (Baltimore City)	$800,000	2	1
Washington County	$400,000	3	2
Administrative Costs	$500,000	-	-
Total	***$5,000,000***	***11***	***6***

Map 2 shows the specific selected activities in each eligible census tract. Details regarding the selected NSP3 funding activities can be found in the *NSP Information by Activity* section of this amendment.

Map 2



POLICIES AND REQUIREMENTS

The following section provides HUD and State Policies, Regulations, and Requirements for the use of NSP3 funding administered by the State of Maryland.

Adjustable Rate Mortgages: State NCI Policy requires that mortgages must be for a fixed rate for a minimum of 30 years and no adjustable rate mortgages can be used by persons acquiring houses assisted with these funds.

Davis Bacon Labor Standards: Davis Bacon and applicable regulations will be required for new construction projects over $2,000.

Eminent Domain: State NCI Policy will not allow the use of NSP3 funds in conjunction with properties acquired through eminent domain.

Environmental Review: All activities and projects must comply with the 24 CFR Part 58.

Housing Counseling: Each homebuyer assisted with these funds is required to receive and complete at least 8 hours of home buying counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. The counseling can be funded with NSP3 funds.

Mortgages: State NCI Policy encourages grantees to use the Maryland Mortgage Program if they are targeting first time homebuyers or have homebuyers purchasing houses in an IRS designated qualified census tract.

Pre-Incurred Costs: No costs may be incurred prior to the selection of strategies, projects and activities; approval of the State's Action Plan by HUD; and the submission of an Environmental Review Record and receipt of a Release of Funds.

Priority Funding Areas: State NCI Policy encourages grantees to concentrate projects and activities within a State designated Priority Funding Area within selected census tracts. Any project or activity involving new construction can only be within a Priority Funding Area.

Program Income: Funds generated from the sale of NSP assisted property or the net proceeds from rental property are considered program income and must re-used for the same activity that generated it. The State will provide additional guidance to selected grantees.

Project Administrative Costs: State NCI Policy will only award up to 5% of a grantees total NSP3 request for project administrative costs. This includes allowable and reasonable project delivery costs.

Purchase Discount: Any purchase of a foreclosed upon home or residential property must be acquired at a discount of at least one percent from the current appraised value. Each transaction will require a current appraisal completed within 60 days of an offer made for the property.

Recapture: The State reserves the right to recapture awarded funds and transfer to other entities for lack of progress and expenditures. Performance will be evaluated every six months by State staff.

Relocation: The State strongly recommends that all acquired properties be vacant and has determined that no funding can be used to pay for relocation activities under the State's initiative. Grantees may choose activities that trigger compliance with the Uniform Relocation and Real Properties Act (URA); however, they must use their own funding for relocation costs and compliance. Grantees must also pay for any temporary relocation that is triggered.

Subprime Mortgages: State NCI Policy will not allow subprime mortgages to be used by persons acquiring houses assisted with these funds.

Tenants Protections: These protections are separate from those under the URA and apply to bona fide tenants occupying a foreclosed dwelling or residential real property at the time the property was foreclosed upon.

Uniform Relocation Act (URA): All property acquisition is subject to the requirements of the Uniform Relocation and Real Properties Act. This applies to both voluntary and involuntary transactions.

Vicinity Hiring: To the maximum extent feasible, the State's grantees will hire employees who reside in the vicinity or contract with small businesses that are owned or operated by persons residing in the vicinity of where the projects and activities are taking place. HUD defines vicinity as the neighborhood or target area within the approved census tract(s). Note that this does not replace Section 3 requirements.

DEFINITIONS AND DESCRIPTIONS

The following definitions and descriptions are utilized in the State's NSP3 program:

Abandoned: A home or residential property is abandoned if either (a) mortgage or tax payments are at least 90 days delinquent, or (b) a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies, or (c) the property is subject to a court ordered receivership or nuisance abatement related to abandonment pursuant to state or local law or otherwise meets a state definition of an abandoned home or residential property.

Blighted Structure: A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare as defined by local code.

Date of Notice of Foreclosure: For purposes of NSP tenant protection provisions, the date of the notice of foreclosure shall be deemed to be the date on which complete title to a property is transferred to a successor entity or person as a result of an order of a court or pursuant to provisions in a mortgage, deed of trust, or security deed. If none of these events occur in the acquisition of a foreclosed property (e.g. in a short sale), in order to ensure fair and equitable treatment of bona fide tenants and consistency with the NSP definition of foreclosed, the date of notice of foreclosure shall be deemed to be the date on which the property is acquired for the NSP assisted project.

Foreclosed: A home or residential property has been foreclosed upon if any of the following conditions apply: (a) the property's current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified; (b) the property owner is 90 days or more delinquent on tax payments; (c) under state or local law, foreclosure proceedings have been initiated or completed; or (d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, contractor, subrecipient, developer, or end user.

Land Bank: A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purpose of NSP, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

Rehabilitation/New Construction Standards: At a minimum, under NCI, any rehabilitation done using NSP funds must meet current HOME rehabilitation standards which require houses to meet the livability standards and code for the county or city where activity is taking place. To the extent applicable to the rehabilitation work undertaken, older obsolete products and appliances must be replaced with Energy Star labeled products. Additionally, grantees must comply with federal and state Lead Paint regulations and conduct a termite inspection for each house.

Under NSP3, HUD requires that all gut rehabilitation or new construction of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes. All gut rehabilitation or new construction of mid or high rise multi-family housing must be designed to meet American Society of Heating, Refrigerating and Air-Conditioning Engineers Standard. HUD also encourages the use of other energy efficient and environmentally-friendly green elements for rehabilitation. Further details will be provided to grantees.

Affordable Rents

For a unit assisted with NSP funding that is rented to an individual or family with incomes at or below 50% of the area median income, the sum of the contract rent and utility costs can not exceed the current HOME LOW rent for the bedroom size of the unit. These rents are updated and will be provided annually by DHCD.

For a unit assisted with NSP funding that is rented to an individual or family with incomes at or below 120% of the area median income, the sum of the contract rent and utility costs can not exceed an amount that is 2 times the current HOME LOW rent for the bedroom size of the unit. These rents are updated and will be provided annually by DHCD.
Grantees are required to ensure that annual income determinations will be made for all tenants of NSP assisted units during the affordability period.

Note: Units or developments assisted with State or other Federal funding may have more restrictive requirements that would take precedence.

Continued Affordability

Grantees are required to ensure that NSP assisted properties remain affordable to individuals and families at or below 120% of the area median income or at or below 50% of the area median income for the longest period possible. The affordability period and requirements will vary for each activity and are explained further below:

ACTIVITY	**TERM**
Acquisition and/or Rehabilitation – Single Family Rental – Less than $15,000 of NSP Investment	Unit is to remain affordable for a 10 year period
Acquisition and/or Rehabilitation – Single Family Rental – More than $15,001 of NSP Investment	Unit is to remain affordable for a 15 year period
Redevelopment of Property – Multi-Family Rental - Less than $100,000 of NSP Investment	Units are to remain affordable for a 15 year period
Redevelopment of Property – Multi-Family Rental - $100,001 - $500,000 of NSP Investment	Units are to remain affordable for a 25 year period
Redevelopment of Property – Multi-Family Rental - More than $500,001 of NSP Investment	Units are to remain affordable for a 35 year period
Downpayment Assistance	Amount repaid when property is sold or transferred
Acquisition and/or Rehabilitation and Resale	Subsidy repaid when property is sold or transferred

The affordability period is to be ensured with either a Deed of Trust Note, a Deed of Trust and/or a covenant.

The requirements when properties are sold or transferred vary by activity:

Downpayment and/or Closing Cost Assistance – The full amount of NSP assistance must be repaid when the house is sold or transferred.

Acquisition and/or Rehabilitation and Resale – The maximum sales price of an NSP assisted unit must be an amount equal to or less than the cost to acquire and/or rehabilitate (eligible sales price). Rather than providing a cash subsidy, NSP grantees are required to sell the property at an eligible sales price but must reduce the buyer's first mortgage by a minimum of 10%. This difference between the sales price and first mortgage is to be repaid when the property is sold or transferred.

Acquisition and/or Rehabilitation and Rental – If a rental property is sold or transferred by the owner/developer prior to the expiration of the affordability period, the amount of NSP investment used to acquire and/or rehabilitate the property is to be repaid, however, the affordability period will remain in effect. A Deed of Trust Note as well as a covenant running with the property are required.

NSP funds repaid to a State's grantee may be used for additional NSP eligible activities until their grant agreement with the State expires. Funds received after that date must be returned to the State.

LOW-INCOME TARGETING

HUD requires grantees to identify the estimated amount of funds appropriated under NSP3 to be used for permanent housing for individuals and households with incomes that do not exceed 50% of the area median. This can be accomplished through the rehabilitation or redevelopment of abandoned or foreclosed residential property and vacant or demolished residential or nonresidential property.

The State must expend a minimum of $1,250,000 to be in compliance with the low income targeting requirement. The selected strategies and projects will expend $2,155,000 which represents 43% of the State's award.

The targeting will primarily be accomplished with the creation of rental and homeownership opportunities. Specifically:

- $800,000 will be used in conjunction with the construction of 100 units of rental housing targeted to seniors and disabled persons;
- $1,055,000 will be used to acquire and/or rehabilitate 14 units to be used for homeownership; and
- $300,000 will be used to acquire and/or rehabilitate 6 units to be used for rental properties.

ACQUISITION AND RELOCATION

All acquisition completed with NSP3 funds will be in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended. This will apply to both voluntary and involuntary acquisitions. The State established a policy for NSP that will not allow the use of NSP3 funds in conjunction with properties acquired with eminent domain.

The State has strongly recommended to their grantees that all acquired properties must be vacant, and has determined that NSP3 funds will not be used to pay for relocation activities under the State's program. If grantees choose activities that will result in the permanent displacement of residents, they must use their own funding for relocation costs and compliance. The State will enforce and monitor for compliance all URA relocation requirements. Additionally, grantees will be required to execute a Residential Anti-Displacement and Relocation Assistance Plan.
The State will enforce compliance with the Tenant Protection Act of 2009. These requirements are designed to protect bona fide tenants of properties that were foreclosed upon. The State's grantees must make a determination prior to the execution of sale. If their determination was incorrect, they will be responsible for any and all compliance actions including payment of relocation benefits if required.

HUD requires grantees to indicate whether their recipients intend to demolish or convert any low- and moderate income dwelling units (i.e., ≤80% of area median income).

It is estimated that the State's NSP3 activities will impact 172 units of housing. Specifically, the activities will result in:

- 16 housing units to be acquired and/or rehabilitated for rental
- 49 housing units be acquired and/or rehabilitated for sale
- 7 households will receive downpayment assistance to acquire units
- 100 units of rental housing will be developed on vacant property through new construction

HUD has asked grantees to estimate the number of LMI dwelling units less than 80% AMI of area median income that could reasonably be expected to be demolished or converted as a direct result of NSP- assisted activities.

In most cases, it is unknown by either the State or its intended grantees which properties will be acquired. Of the 172 units projected, only 122 have a definitive address and 100 of those will be built on a vacant parcel. It could be estimated that 50% or 36 of the remaining 72 units could have been occupied by LMI persons and could be subject to conversion. The State did not approve any activities that involved demolition of housing units.

HUD has asked grantees to estimate the number of NSP affordable housing units to be made available to low-moderate- middle income households, which are defined as less than 120% of area median income. The units will be categorized by activity and income level as required in HUD's DRGR reporting system. A proposed timeline will be assigned to each activity from commencement to completion. A breakdown of estimated activities between 50% and 120% area median income are listed below:

<u>50% AMI Activities</u>
106 units for rental housing (Activity #3 - 100 Units / Activity #6 - 6 units)
14 units for homeownership (Activity #1 - 2 units / Activity #4 – 6 units / Activity #6 – 6 units)

<u>80% AMI Activities</u>
5 units for rental housing (Activity #1 – 1 unit / Activity #6 – 4)
18 units for homeownership (Activity #4 – 7 units / Activity #5 – 4 units / Activity #6 – 7 units)
3 units assisted with downpayment assistance (Activity #2 – 3 units)

<u>120% AMI Activities</u>
5 units for rental housing (Activity #6 – 5 units)
17 units for homeownership (Activity #4 – 7 units / Activity #5 – 4 units / Activity #6 – 6 units)
4 units assisted with downpayment assistance (Activity #2 – 4 units)

HUD has asked each grantee to estimate the number of dwelling units reasonably expected to be made available for households whose income does not exceed 50% of the area median income.

120 units are expected to be made available to households at or below 50% of area median income.

All activities will be completed within the anticipated term of State's grant agreement with their grantees – June 1, 2011 through May 31, 2014.

PUBLIC COMMENT

The State's NSP3 Substantial Amendment was made available for public review and comment on February10, 2011.

Approximately 785 announcement letters were mailed statewide to advocacy groups and community action agencies, local government officials, public housing authorities, chief housing contacts, nonprofit and for profit housing developers, as well as private individuals – notifying them of a substantial amendment to the State Consolidated Plan for the Neighborhood Stabilization Program, the use of NSP3 funds, as well as communicated the opening and closing dates of the public comment period. Draft copies of the Substantial Amendment were sent to regional libraries throughout the State, including a large print version to a library for the blind and physically handicapped. The announcement provided information about where to find the draft Substantial Amendment on the DHCD website. Print advertisements were also placed in select newspapers throughout the State.

The comment period ended on February 25, 2011. There were no public comments received.

ACTIVITIES

The following pages show how the State of Maryland intends to use NSP3 funding.

ACTIVITY NUMBER 1
WASHINGTON COUNTY - ACQUISITION AND REHABILITATION

USES: Eligible Use B: Acquisition and Rehabilitation
CDBG ACTIVITY OR ACTIVITIES: Acquisition and rehabilitation – 24 CFR 570.201(a) and 202
NATIONAL OBJECTIVE: Benefit to Low-Moderate-Middle Income Persons – Housing

ACTIVITY DESCRIPTION:
The activities are to acquire and rehabilitate 3 abandoned or foreclosed upon homes and residential properties that will be sold or rented to income qualifying individuals or families. The activities will be completed through a partnership of city and county governments and several non-profit organizations. Specifically, these activities will be implemented by the Habitat for Humanity of Washington County and the Washington County Community Action Committee, Inc.

Per the HUD data, the three census tracts contain 2,043 housing units of which 220 (10%) are vacant. The high number of vacant properties has led to decline in neighborhoods. The population of these tracts is predominantly of low and moderate income – 88.4%, 81.4% and 54.9%. The partnership is concerned that recently lenders have begun packaging REOs in the city with properties in other cities which has resulted in increased sales prices. This practice has also made it more difficult for locals to buy foreclosed properties as they are competing with investors.

The activities will be targeted to portions of the tracts to ensure a more concentrated impact. They anticipate using Program Income from the house sales to assist more homebuyers. These tracts have recently seen investment with the completion of a HOPE VI redevelopment project which resulted in 352 new units of housing and a community center. A $2.4 million public transit center, which received NSP1 funding, is under construction.

Rental Preferences – Grantee and subrecipients chose to create both homeownership and rental opportunities after deciding on strategies and activities to pursue under NSP3.

Vicinity Hiring – As there are no local ordinances, the State will allow the grantee to give preference during the bidding process for the selection of a local business provided that business is qualified and the bid does not exceed the most competitive and qualified non-local bid by 10%. First preference will be given to local businesses located within census tracts and second preference to those located within the municipal boundaries. If employees are hired under the construction contracts, the grantee will work with the contractor to ensure that local, qualified persons are hired.

LOCATION DESCRIPTION: Scattered Sites, Hagerstown, Washington County, MD 21740

Census Tracts	HUD Need Score:	HUD Impact Number:
24043902683607500090OU1	15	4
24043902683607500090OU3	15	1
24043922883607500030 2U2	15	5
	Total:	10

Impact by This Activity: 3
Total Impact of Activities 1 and 2 in Census Tracts: 10

BUDGET:		
	NSP3	$255,000 ($155,000 Habitat/$100,000 CAC)
	State Housing Rehabilitation Program	$ 50,000
	Washington County Community Action	$ 6,250
	Habitat for Humanity Washington County	$ 34,000
	TOTAL	$345,250

PERFORMANCE MEASURES: 3 houses to be made available to LMMI individuals or families – 1 rental unit and 2 homeownership units

PROJECTED START/END DATES: June 1, 2011 – May 31, 2014

SPECIFIC ACTIVITY REQUIREMENTS:
Tenure of Housing: 1 Rental Unit – 15 year affordability requirement
2 Homeownership Units – Regardless of tenure of homebuyer, subsidy repaid in full upon sale
Continued Affordability: Rental unit affordability ensured by Deed of Trust Note and covenant
Homeownership units affordability ensured by a Deed of Trust and Deed of Trust Note
25% Requirement: $155,000 of funds used to acquire and rehabilitate 2 units for homeownership
Financing is at 0% interest

RESPONSIBLE ORGANIZATIONS:
Grantee: Susan Buchanan, Washington County, 100 West Washington St., Hagerstown, MD 240/303-2285
Subrecipients: Habitat for Humanity Washington County / Washington County Community Action

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ACTIVITY NUMBER 2
WASHINGTON COUNTY - DOWNPAYMENT ASSISTANCE

USES: Eligible Use A: Financing Mechanisms
CDBG ACTIVITY OR ACTIVITIES: Downpayment Assistance - 24 CFR 570.201(n)
NATIONAL OBJECTIVE: Benefit to Low-Moderate-Middle Income Persons – Housing

ACTIVITY DESCRIPTION:
Provide downpayment assistance to eligible buyers of foreclosed or abandoned houses. The activities will be completed through a partnership of city and county governments and several non-profit organizations. Specifically, this activity will be implemented by the Hagerstown Neighborhood Development Partners, Inc.

Per the HUD data, the three census tracts contain 2,043 housing units of which 220 (10%) are vacant. The high number of vacant properties has led to decline in neighborhoods. The population of these tracts is predominantly of low and moderate income – 88.4%, 81.4% and 54.9%. The partnership is concerned that recently lenders have begun packaging REOs in the city with properties in other cities which has resulted in increased sales prices. This practice has also made it more difficult for locals to buy foreclosed properties as they are competing with investors.

The activities will be targeted to portions of the tracts to ensure a more concentrated impact. They anticipate using Program Income from the house sales to assist more homebuyers. These tracts have recently seen investment with the completion of a HOPE VI redevelopment project which resulted in 352 new units of housing and a community center. A $2.4 million public transit center, which received NSP1 funding, is under construction.

Rental Preferences – No rental housing with this activity.

Vicinity Hiring – No hiring with this activity.

LOCATION DESCRIPTION: Scattered Sites, Hagerstown, Washington County, MD 21740

Census Tracts:	HUD Need Score:	HUD Impact Number:
24043902683607500090OU1	15	4
24043902683607500090OU3	15	1
240439228836075000302U2	15	5
	Total:	10

Impact by This Activity: 7
Total Impact of Activities 1 and 2 in Census Tracts: 10

BUDGET:	NSP3	$145,000
	Hagerstown Neighborhood Development Partners	$ 5,000
	City of Hagerstown	$ 28,000
	Private Mortgages	$ 665,000 (average $95,000 per loan)
	TOTAL	$843,000

PERFORMANCE MEASURES: 7 houses to be made available to LMMI individuals or families

PROJECTED START/END DATES: June 1, 2011 – May 31, 2014

SPECIFIC ACTIVITY REQUIREMENTS:
Tenure of Housing: 7 Homeownership Units – Regardless of tenure of homebuyer, NSP assistance repaid in full upon sale
Continued Affordability: Homeownership units affordability ensured by a Deed of Trust and Deed of Trust Note
25% Requirement: $0
Financing is at 0% interest

RESPONSIBLE ORGANIZATIONS:
Grantee: Susan Buchanan, Washington County, 100 West Washington St., Hagerstown, MD 240/303-2285
Subrecipient: Hagerstown Neighborhood Development Partners, Inc.

ACTIVITY NUMBER 3
ENTERPRISE HOUSING CORPORATION – IRVINGTON HOUSING ACQUISITION

USES: Eligible Use E: Redevelopment
CDBG ACTIVITY OR ACTIVITIES: Acquisition – 24 CFR 570.201(a)
NATIONAL OBJECTIVE: Benefit to Low-Moderate-Middle Income Persons – Housing

ACTIVITY DESCRIPTION:
Acquisition of vacant and foreclosed property to be used for construction of 100 units for seniors and disabled persons. The activities will be carried out by the Enterprise Housing Corporation.

Per the HUD data, the two census tracts contain 1,885 housing units. The population of these tracts is predominantly of low and moderate income – 57.1% and 90.1%. The area has lost population; however, the senior population is expected to grow by 13% by 2015. The area contains several vacant parcels where planned developments have been delayed or cancelled due to the economy.

The subject property is currently a blight on the neighborhood. It is a large overgrown parcel on a major roadway. The planned green development will result in high quality, affordable housing and stabilize the area.

Rental Preferences – Grantee had been working on this project for a number of years before having the opportunity to pursue NSP3funding.

Vicinity Hiring – As there are no local ordinances, the State will allow the grantee to give preference during the bidding process for the selection of a local business provided that business is qualified and the bid does not exceed the most competitive and qualified non-local bid by 10%. First preference will be given to local businesses located within census tracts and second preference to those located within the municipal boundaries. If employees are hired under the construction contracts, the grantee will work with the contractor to ensure that local, qualified persons are hired.

LOCATION DESCRIPTION: 4330 Frederick Avenue, Baltimore, MD 21229

Census Tracts:	HUD Need Score:	HUD Impact Number:
24510040000400028040 4U1	15	2
2451004000040002804 04U2	15	3
	Total:	5

Total Impact of Activities in Census Tracts: 100

BUDGET:		
	NSP3	$ 800,000
	Baltimore City	$ 350,000
	Enterprise	$14,425,000
	TOTAL	$15,575,000

PERFORMANCE MEASURES: 100 units of affordable rental housing for persons at or below 50% AMI

PROJECTED START/END DATES: June 1, 2011 – May 31, 2014

SPECIFIC ACTIVITY REQUIREMENTS:
Tenure of Housing: 100 Rental Units – 35 year affordability period
Continued Affordability: Affordability ensured by a Deed of Trust Note and a covenant
25% Requirement: $800,000
Financing is at 0% interest

RESPONSIBLE ORGANIZATION:
Grantee: Ned Howe, Enterprise Housing Corporation, 312 Martin Luther King Blvd., Baltimore, MD 21201
410/230-2117

ACTIVITY NUMBER 4
PRINCE GEORGE'S COUNTY - ACQUISITION AND REHABILITATION – GREEN SUITLAND

USES: Eligible Use B: Acquisition and Rehabilitation
CDBG ACTIVITY OR ACTIVITIES: Acquisition and Rehabilitation – 24 CFR 570.201(a) and 202
NATIONAL OBJECTIVE: Benefit to Low-Moderate-Middle Income Persons – Housing

ACTIVITY DESCRIPTION:
Acquire and rehabilitate 20 abandoned and foreclosed upon homes and residential properties that will be sold to income qualifying, first-time homebuyers. The activities will be completed through a partnership of county government and several non-profit organizations. Specifically, these activities will be implemented by the Redevelopment Authority, UCAP and HIP. The houses will be rehabilitated using the Enterprise Green Communities specification.

Per the HUD data, the three census tracts contain 2,029 housing units. There were 105 housing foreclosure starts of which 24 (22%) were foreclosed upon. In the area, 38.1% of all mortgages were determined to be "high cost." This is significant in an area that has a 63% homeownership rate if it is considered a predictor as to the number of future foreclosures.
Recently, the County invested $45 million to begin the redevelopment of the 22 acre Suitland Manor project. The planned transit oriented development will leverage an additional $30 million and be the anchor for the revitalization of the area. The area is home to the Suitland Federal Center where 7,000 federal employees come each workday.

Rental Preferences – No rental housing with this activity.

Vicinity Hiring – As there are no local ordinances, the State will allow the grantee to give preference during the bidding process for the selection of a local business provided that business is qualified and the bid does not exceed the most competitive and qualified non-local bid by 10%. First preference will be given to local businesses located within census tracts and second preference to those located within the municipal boundaries. If employees are hired under the construction contracts, the grantee will work with the contractor to ensure that local, qualified persons are hired.

LOCATION DESCRIPTION: Scattered Sites, Suitland, Prince George's County, MD 20746

Census Tracts:	HUD Need Score:	HUD Impact Number:
240339052475762802002U1	16	8
240339052475762802002U2	16	3
240339052475762802002U3	16	10
	Total:	21

Impact by this Activity: 20
Total Impact of Activities 4 and 5 in Census Tracts: 28

BUDGET:	NSP3	$1,057,500
	Prince George's County	$ 500,000
	TOTAL	$1,557,500

PERFORMANCE MEASURES: 20 houses to be made available to LMMI individuals or families – 6 will be sold to LMMI to persons at or below 50%

PROJECTED START/END DATES: June 1, 2011 – May 31, 2014

SPECIFIC ACTIVITY REQUIREMENTS:
Tenure of Housing: 20 Homeownership Units – Regardless of tenure of homebuyer, subsidy repaid in full upon sale
Continued Affordability: Homeownership units affordability ensured by a Deed of Trust and Deed of Trust Note
25% Requirement: $600,000 of funds used to acquire and rehabilitate 6 units for homeownership
Financing is at 0% interest

RESPONSIBLE ORGANIZATIONS:
Grantee: Rosalyn Clemens, Prince George's County, 9400 Peppercorn Place, Largo, MD 20774 301/883-3288
Subrecipients: Redevelopment Authority of Prince George's County / United Communities Against Poverty, Inc.
Housing Initiative Partnership, Inc.

ACTIVITY NUMBER 5
PRINCE GEORGE'S COUNTY - SAVE YOUR HOME INITIATIVE

USES: Eligible Use B: Acquisition
CDBG ACTIVITY OR ACTIVITIES: Acquisition – 24 CFR 570.201(a)
NATIONAL OBJECTIVE: Benefit to Low-Moderate-Middle Income Persons – Housing

ACTIVITY DESCRIPTION:
Acquire 8 foreclosed upon houses using HUD's NSP definition of foreclosure as part of a comprehensive pilot program to assist the former homeowner with becoming the homeowner again. The activities will be completed through a partnership of county government and several non-profit organizations. Specifically, these activities will be implemented by the county government.

Per the HUD data, the three census tracts contain 2,029 housing units. There were 105 housing foreclosure starts of which 24 (22%) were foreclosed upon. In the area, 38.1% of all mortgages were determined to be "high cost." This is significant in an area that has a 63% homeownership rate if it is considered a predictor as to the number of future foreclosures.

Recently, the County invested $45 million to begin the redevelopment of the 22 acre Suitland Manor project. The planned transit oriented development will leverage an additional $30 million and be the anchor for the revitalization of the area. The area is home to the Suitland Federal Center where 7,000 federal employees come each workday.

Rental Preferences – No rental housing with this activity.

Vicinity Hiring – No hiring with this activity.

LOCATION DESCRIPTION: Scattered Sites, Suitland, Prince George's County, MD 20746

Census Tracts:	HUD Need Score:	HUD Impact Number:
240339052475762802002U1	16	8
240339052475762802002U2	16	3
240339052475762802002U3	16	10
	Total:	21

Impact by this Activity: 8
Total Impact of Activities 4 and 5 in Census Tracts: 28

BUDGET:	NSP3	$ 642,500
	Prince George's County	$ 300,000
	TOTAL	$ 942,500

PERFORMANCE MEASURES: 8 houses to be made available to LMMI individuals or families

PROJECTED START/END DATES: June 1, 2011 – May 31, 2014

SPECIFIC ACTIVITY REQUIREMENTS:
Tenure of Housing: 8 Homeownership Units – Regardless of tenure of homebuyer, subsidy repaid in full upon sale
Continued Affordability: Homeownership units affordability ensured by a Deed of Trust and Deed of Trust Note
25% Requirement: $0
Financing is at 0% interest

RESPONSIBLE ORGANIZATION:
Grantee: Rosalyn Clemens, Prince George's County, 9400 Peppercorn Place, Largo, MD 20774 301/883-3288

ACTIVITY NUMBER 6
EBDI - ACQUISITION AND REHABILITATION – PRESTON PLACE

USES: Eligible Use E: Redevelopment
CDBG ACTIVITY OR ACTIVITIES: Acquisition and rehabilitation – 24 CFR 570.201(a) and 202
NATIONAL OBJECTIVE: Benefit to Low-Moderate-Middle Income Persons – Housing

ACTIVITY DESCRIPTION:
Redevelopment of vacant properties through acquisition and/or rehabilitation activities. A total of 34 vacant units will be put into productive use providing homeownership opportunities and affordable rental housing. Activities to be carried out by East Baltimore Development Incorporated and TRF Development Partners.

Per the HUD data, the three census tracts contain 988 housing units of which 74 (7%) are vacant. However, the USPS No Stat indicator number is 331. This number is a direct result of the TRF and EBDI redevelopment activities over the past several years. Their comprehensive approach has allowed them to acquire a significant number of properties as they implement their redevelopment plans. The population of these tracts is predominantly of low and moderate income – 89.3%, 76.9% and 75.4%.

Their activities will target abandoned and vacant properties. This will result in a 45.9% reduction in the USPS vacancy rate. The comprehensive redevelopment of these areas will result in higher quality housing development and eliminate years of vacancy and blight. The redevelopment of the four block area along Broadway will provide a connector between the two organizations redevelopment areas.

Rental Preferences – Grantee and subrecipient had been working on these activities for a number of years before having the opportunity to pursue NSP3 funding. They chose to create both homeownership and rental opportunities.

Vicinity Hiring – As there are no local ordinances, the State will allow the grantee to give preference during the bidding process for the selection of a local business provided that business is qualified and the bid does not exceed the most competitive and qualified non-local bid by 10%. First preference will be given to local businesses located within census tracts and second preference to those located within the municipal boundaries. If employees are hired under the construction contracts, the grantee will work with the contractor to ensure that local, qualified persons are hired.

LOCATION DESCRIPTION: Scattered Sites, Baltimore City, Maryland 21213 and 21205

Census Tracts:	HUD Need Score:	HUD Impact Number:
24510040000400008080OU2	14	0
24510040000400008080OU3	14	0
24510040000400008080OU4	14	0
	Total:	0

HUD Total Impact Number: 0
Total Impact of Activity in Census Tracts: 34

BUDGET:	NSP3		$1,600,000
	TRF		$ 4,900,000
	EBDI		$ 612,500
		TOTAL	$7,112,500

PERFORMANCE MEASURES: 34 houses to be made available to LMMI individuals or families – 12 will be sold or rented to persons at or below 50% AMI

PROJECTED START/END DATES: June 1, 2011 – May 31, 2014

SPECIFIC ACTIVITY REQUIREMENTS:

Tenure of Housing: 15 Rental Units – affordability period will range from 10 to 15 years depending on amount of NSP investment in property

19 Homeownership Units – Regardless of tenure of homebuyer, subsidy repaid in full upon sale

Continued Affordability: Rental unit affordability ensured by Deed of Trust Note and covenant

Homeownership units affordability ensured by a Deed of Trust and Deed of Trust Note

25% Requirement: $300,000 to be used acquire and rehabilitate 6 units for homeowners and $300,000 to be used to acquire and rehabilitate 6 units for rental

Financing is at 0% interest

RESPONSIBLE ORGANIZATIONS:

Grantee: Chris Shea, EBDI, 1731 E. Chase Street, Baltimore, MD 21213 410/234-0660

Subrecipient: TRF Development Partners

Certifications for State and Entitlement Communities

(1) **Affirmatively furthering fair housing**. The jurisdiction certifies that it will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-displacement and relocation plan.** The applicant certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan.

(3) **Anti-lobbying.** The jurisdiction must submit a certification with regard to compliance with restrictions on lobbying required by 24 CFR Part 87, together with disclosure forms, if required by that part.

(4) **Authority of jurisdiction.** The jurisdiction certifies that the consolidated plan or abbreviated plan, as applicable, is authorized under state and local law (as applicable) and that the jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(5) **Consistency with plan.** The jurisdiction certifies that the housing activities to be undertaken with NSP funds are consistent with its consolidated plan or abbreviated plan, as applicable.

(6) **Acquisition and relocation.** The jurisdiction certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the notice for the NSP program published by HUD.

(7) **Section 3.** The jurisdiction certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(8) **Citizen participation.** The jurisdiction certifies that it is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(9) **Following a plan.** The jurisdiction certifies it is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD. [Only States and entitlement jurisdictions use this certification.]

(10) **Use of funds.** The jurisdiction certifies that it will comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Title XII of Division A of the American Recovery and Reinvestment Act of 2009 by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.

(11) **The jurisdiction certifies:**

a. that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income; and
b. The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount

against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive force.** The jurisdiction certifies that it has adopted and is enforcing:

a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and

b. A policy of enforcing applicable state and local laws against physically barring entrance to, or exit from, a facility or location that is the subject of such nonviolent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The jurisdiction certifies that the NSP grant will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The jurisdiction certifies that its activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction certifies that it will comply with applicable laws.

(16) **Vicinity hiring.** The jurisdiction certifies that it will, to the maximum extent feasible, provide for hiring of employees that reside in the vicinity of funded projects or contract with small businesses that are owned and operated by persons residing in the vicinity of projects.

(17) **Development of affordable rental housing.** The jurisdiction certifies that it will be abide by the procedures described in its Abbreviated Plan to create preferences for the development of affordable rental housing for properties assisted with funds.

Raymond M. Alvarez

Signature/Authorized Official

2/24/11

Date

Secretary

Title